

APN: 1320-05-001-016

SBA LOAN NO. 4582634004

Escrow No. 010608474 / Title# 010502193

WHEN RECORDED, MAIL TO:

Nevada State Development Corp.
6572 South McCarran Blvd.
Reno, Nevada 89509

ASSIGNMENT OF LEASES AND RENTS FOR SECURITY
AND
SUBORDINATION

This Assignment of Leases and Rents for Security and Subordination is made by J& M SCHWARTZ, LLC ("Landlord"), and J&S FLOORS ("Tenant"), for the benefit of NEVADA STATE DEVELOPMENT CORPORATION, and its successors and assigns ("Assignee").

IN ORDER to induce Assignee to make a loan or loans ("Loan") to Landlord, Landlord hereby irrevocably ASSIGNS, SELLS AND TRANSFERS unto Assignee all its right, title and interest in, to and under all leases of the property more particularly described on **Exhibit "A"** attached hereto, and, by reference, made a part hereof (the "Property") or any portion thereof, all licenses and agreements relating to the management, leasing or operation of the Property or any portion thereof, and all other agreements of any kind relating to the use or occupancy of the Property or any portion thereof, whether now existing or entered into after the date hereof, including, without limitation, that certain Standard Industrial/Commercial Multi-Tenant Lease Agreement dated July 20, 2001 (the "Lease"), by and between Landlord and Tenant with respect to the Property (collectively, the "Assigned Leases"), and all rents, issues, deposits and profits of the Property, including, without limitation, all amounts payable and all rights and benefits accruing to Landlord under the Assigned Leases, which assignment and right, however, Assignee agrees not to enforce during such time as the indebtedness owed by the undersigned, or either of them, to Assignee is not in default.

IN ORDER to induce Assignee to make the Loan to Landlord, which Tenant hereby acknowledges will benefit Tenant, Tenant hereby ASSIGNS, SELLS AND TRANSFERS unto Assignee all its right, title and interest and to the Lease, together with the right in Assignee to receive and take all rents, issues and profits derived therefrom, including without limitation, all subleases under the Lease, which assignment and right, however, Assignee agrees not to enforce during such time as the indebtedness owed by the undersigned, or either of them, to Assignee is not in default.

Tenant, moreover, hereby agrees, warrants and covenants that the aforesaid Lease, and Tenant's interest therein, are and shall be at all times subject and subordinate to the Deed of Trust encumbering the real property described on **Exhibit "A"** attached hereto for the benefit of Assignee, its successors and assigns, and to any renewals, modifications, or extensions of said Deed of Trust. By reason of such subordination, if the interest of Landlord shall be acquired by Assignee or by any

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other person ("Purchaser") by foreclosure or other proceedings brought to enforce the rights of the holder of the aforesaid Deed of Trust, by deed in lieu of foreclosure, or by any other method, Tenant agrees and acknowledges that the Lease may be terminated regardless of the term thereof or, at the option of Purchaser, the Purchaser may succeed to the interest of the Landlord under the Lease and Tenant shall be bound to Purchaser under all of the terms, conditions and covenants of the Lease for the balance of the term thereof, and any extensions and renewals thereof, with the same force and effect as if Purchaser were the original lessor under the Lease and, in the event of the exercise of such option, Tenant does hereby attorn to Purchaser as its lessor and Purchaser agrees to accept such attornment which shall be deemed self-operative without the execution of any other instrument. Tenant agrees, however, upon written request by Purchaser to execute an instrument in confirmation of the foregoing provisions, satisfactory to Purchaser, in which Tenant shall acknowledge such attornment and shall set forth the terms and conditions of its tenancy.

Tenant hereby agrees that any Purchaser shall not be: (a) liable for any action or omission of any prior landlord (including Landlord) or any other party with whom Tenant has dealt concerning the Property; or (b) subject to any offsets or defenses which Tenant might have against any such prior landlord; or (c) bound by any rent or additional rent which Tenant might have paid for more than the current month to any such prior landlord; or (d) bound by any security deposit or last month's rent that Tenant may have paid in an aggregate amount greater than two (2) times the rent for the then current month, and in any event, Purchaser shall not be liable or accountable for any security deposit required by Landlord under the Lease, unless such sums have actually been received by Purchaser as cash security for Tenant's performance of the Lease; or (e) bound by any amendment or modification of the Lease made without Assignee's written consent, or (f) bound by any provision in the Lease which obligates the Landlord to erect or complete any building or to perform any construction work or to make any improvements to the Property or to expand or rehabilitate any existing improvements or to restore any improvements following any casualty or taking; or (g) bound by any notice of termination given by Landlord to Tenant without Lender's written consent thereto; or (h) personally liable under the Lease (Landlord and Tenant expressly agreeing that any liability of Purchaser under the Lease shall be limited to the ownership interest of Purchaser in the Property).

Furthermore, Tenant does hereby warrant and represent:

- (a) The Lease is a valid and binding obligation of Tenant; Tenant is not in default under the Lease; and Tenant is not aware of any default by Landlord under the Lease;
- (b) No amendments, modifications, or alternations have been made to the Lease;
- (c) Neither Tenant nor Landlord shall agree to any mutual termination, amendment, modification or renewal of the Lease without the prior written consent of Lender;
- (d) Tenant shall give Assignee prompt written notice of any default by Landlord under the Lease which notice shall specify the nature of the default;

(e) Notwithstanding anything to the contrary in the Lease, should any default under the Lease occur, Assignee shall have sixty (60) days after the receipt of such notice from Tenant, and at the option of Assignee, to cure such default of Landlord. Or, if the nature of the default is such that it cannot reasonably be cured within such sixty (60) day period, such longer period as is reasonably necessary to cure such default of Landlord;

(f) All rights of Tenant to terminate the Lease as a result of the occurrence of an event of default thereunder are subject to and conditioned upon Tenant=s having first given Landlord written notice of and an opportunity to cure such default as specified herein.

(g) No rent has been prepaid under the Lease at this time; and

(h) Tenant agrees not to assign, transfer, mortgage or otherwise encumber any of its rights under the Lease or any interest therein. Any attempt to do so shall be void as to Assignee. Tenant further agrees not to sublet the Property or any part thereof, without the prior written consent of Assignee and any attempt to do so without such consent shall be void as to Assignee.

"Assignee" shall include the Assignee herein specifically named and any of its successors and assigns, including without limitation, the SMALL BUSINESS ADMINISTRATION.

The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

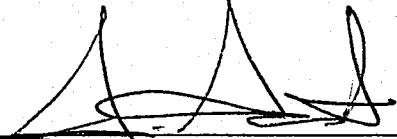
- a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.
- b) NEVADA STATE DEVELOPMENT CORPORATION or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.

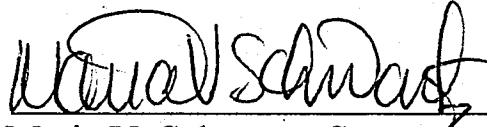
Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

DATED: this 4th day of October, 2001.

TENANT:


J & S FLOORS, INC., a Nevada corporation

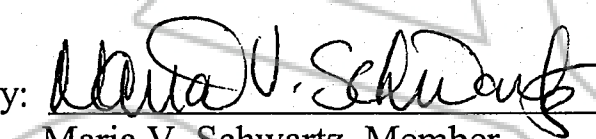
By: 
John G. Schwartz, President

By: 
Maria V. Schwartz, Secretary

LANDLORD:

J&M SCHWARTZ, LLC, a Nevada limited liability company

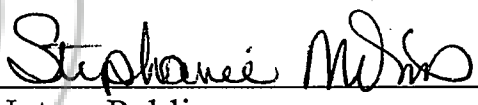
By: 
John G. Schwartz, Member

By: 
Maria V. Schwartz, Member

STATE OF NEVADA)
) ss.
COUNTY OF DOUGLAS)

This instrument was acknowledged before me on the 4th day of October, 2001, by John G. Schwartz, as President of J & S FLOORS, a Nevada corporation, and as a Member of J&M SCHWARTZ, LLC, a Nevada limited liability company.

 STEPHANIE MORRIS
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 99-3972-2 - Expires August 2, 2003


Notary Public
My Commission Expires: 8/2/03

STATE OF NEVADA)
)ss.
COUNTY OF DOUGLAS)

This instrument was acknowledged before me on the 4th day of October, 2001,
by Maria V. Schwartz, as Secretary of J & S FLOORS, a Nevada corporation and as a Member of
J&M SCHWARTZ, LLC, a Nevada limited liability company.



Stephanie Morris
Notary Public
My Commission Expires: 8/2/03

COOPER

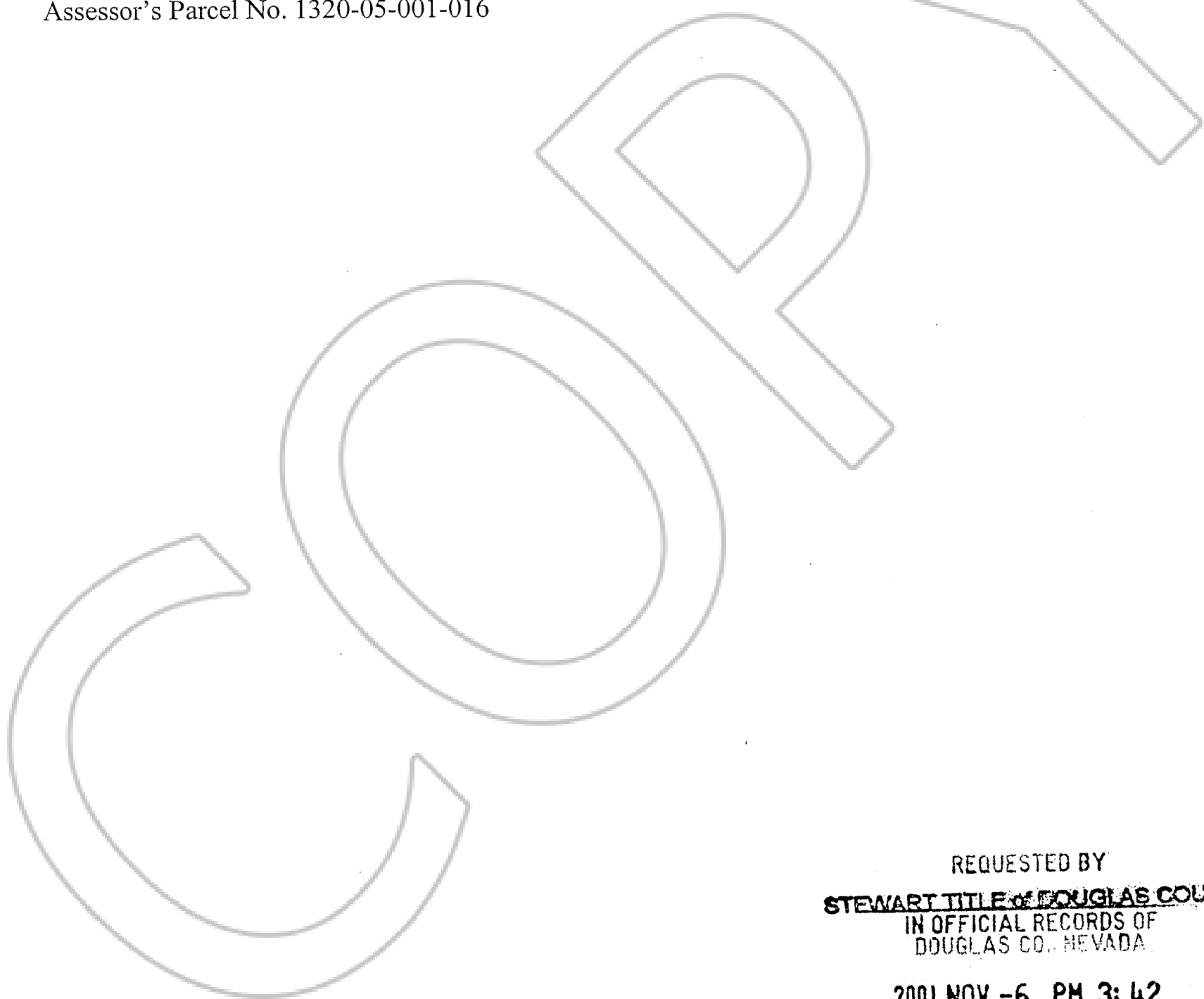
EXHIBIT "A"

Legal Description

The land referred to herein is situated in the State of Nevada, County of Douglas, described as follows:

Lot 7, in Block A, as set forth on the Official Plat of North Valley Industrial Park, Phase 1, for record in the Office of the County Recorder of Douglas County, State of Nevada, on April 30, 1990, in Book 490, Page 4025, as Document No. 224892.

Assessor's Parcel No. 1320-05-001-016



REQUESTED BY
STEWART TITLE & DOUGLAS COUNTY
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

2001 NOV -6 PM 3:42

LINDA SLATER
RECORDER

s/19⁰⁰ PAID *KZ* DEPUTY

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BK 490 PG 4025